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Beyond Smart

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The big question ahead

As custodians of the environment, the global climate challenge offers 'great opportunity' for the water sector's environmental credentials and relationships with customers in the year ahead, believes Stuart Brand of CGI.

The IT and business consultancy's Vice-President, Water and Market Services, says the whole sustainability agenda is already implicit in the sector's businesses.

"They are huge landowners with resources that contribute in a positive way. They are not just takers in the environmental equation."

Whilst, as historic engineering-focused businesses, in which a culture of 'build and engineer' your way out of a challenge traditionally prevailed, the approach is changing.

"The big question is becoming whether we can afford all these assets. It's not just an environmental issue, it's also an economic problem."

Equally, good customer relationships are vital. "There has definitely been a move towards a social enterprise philosophy. It's shifted the centre of gravity in the political narrative – utilities have moved away from talking about returns or profitability, towards social good, environmental good, customer good."

Yet large, heavily mortgaged companies must still strike a balance between this mood and maintaining a viable position in the market to finance their debt.

"Which looks back to the sustainability issue. Are we building an industry that future generations will be able to run? Is it a sustainable position from an economic and operating point of view?"

CHALLENGES AHEAD

There will be some big challenges to be addressed in the coming years around this, thinks Brand: "Basically, can we continue to spend what we're spending?"

CGI's message remains simple.

"A lot of this is just about how you can operate what you have more efficiently, so you get away from just building new all the time."

"These infrastructures are typically built to cope with peak demand. You have all this spare capacity in which you've invested, that you're funding and maintaining."

"If we can be a bit more flexible in our use of assets, or manage demand more effectively, then we can also control infrastructure more effectively and achieve a better balance. And that whole-systems approach is just as relevant to water as it is to energy."

A PERFECT CHALLENGE

That utilities constantly aim for perfection is another key consideration ahead. Questions that followed August's electricity blackout, around levels of energy reserve, are analogous for water believes Brand.

"We essentially strive for perfection. We don't want any pollution incidents. We don't want any service interruptions. But at what cost?"

"In the future are we going to have to consider whether it's more economic and sustainable to accept a small amount of failure. Or can we exploit technology and data to square the circle and continue to improve service reliability whilst still maintaining or reducing costs?"

CGI will be looking to help companies find ways of running what they have more efficiently, by planning investments in a more risk-based way.

"It's about taking account of what the impact is on the customer, on the environment or whatever the dimension is. Because if you look at this in purely financial terms, it may not give you the right long-term solution."

OPEN PROBLEMS

Another major customer issue has been progress on the deregulation of the non-household water market, says Brand.

Part of the business case was to improve choice and drive innovation – yet latest complaint figures suggest the reverse.

CGI, which worked with MOSL on the market operating system, remains at the heart of the programme.

"I think the market was opened in a hurry. The industry met the deadline, but it was very challenging. The consequence was things that might have been done, weren't. Gaps in market data have affected service. There is now a recognition of that."

Regulatory changes in measuring customer experience are coming up. "Companies will be up for that," says Brand, "which will require investment in processes and systems."

INNOVATION

Consultation on introducing a water sector innovation fund at regulatory level, similar to energy distribution and transmission, is another positive opportunity, he believes.

CGI has worked with most DNOs in this area and is excited a similar prospect is possible.

"We've worked quite hard to get involved with water companies who are already running these kinds of projects, which need collaboration across the supply chain."

"Because I think when you are talking about some of these big future challenges, they are only going to be addressed at a macro level by building effective partnerships. Individual companies can't solve all these problems on their own."